

**DOUGLAS COUNTY
RURAL WATER DISTRICT NO. 3**
Berryton, Kansas

REGULATORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2015
And

INDEPENDENT AUDITOR'S REPORT

...***KL***...

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RURAL WATER DISTRICT NO. 3, DOUGLAS COUNTY
Berryton, Kansas

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Karlin & Long, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Rural Water District No. 3, Douglas County
Berryton, Kansas

We have audited the accompanying fund Summary Statement of Regulatory Basis Receipts, Expenditures, and Unencumbered Cash Balances of Rural Water District No. 3, Douglas County as of and for the year ended December 31, 2015, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Rural Water District No. 3, Douglas County to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Rural Water District No. 3, Douglas County as of December 31, 2015, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Rural Water District No. 3, Douglas County as of December 31, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinion on the fund Summary Statement Regulatory Basis of Receipts, Expenditures, and Unencumbered Cash Balances regulatory basis (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement. Such information is the responsibility of

management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole, on the basis of accounting described in Note 1.

Karlin & Long, LLC

Karlin & Long, LLC
Certified Public Accountants

Lenexa, KS
February 20, 2016

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The Rural Water District No. 3 (RWD No. 3) (the District) is a water utility that provides service to rural customers. The district was organized as a quasi-municipal corporation to acquire water and water rights and to build and acquire pipelines for the purpose of furnishing water to owners and occupants of land located within the District.

In August, 1979, the District executed an agreement with Osage County Rural Water District No. 5 (RWD NO. 5) and Shawnee County Rural Water District No. 8 (RWD No. 8) to establish the Tri-District Committee for purposes of constructing and managing an intake structure, pumping facilities, and a water treatment plant at Clinton Lake in Douglas County, Kansas, for the treatment and distribution of water to each of the three districts. The title to all assets and the liability for all financing is in the name of RWD No. 3. As such, the enclosed financial statements reflect the combined operations of RWD No. 3 and the Tri-District.

The amended Tri-District agreement stipulates that RWD No. 5 is entitled to purchase thirty percent (30%) of the treated water for which it agreed to pay thirty percent (30%) of the costs of constructing and maintaining the facility, and that RWD No. 8 is entitled to purchase thirty-five (35%) on the same basis. RWD No. 3 is entitled to the remaining thirty-five (35%) on the same basis.

It is the opinion of the attorney for RWD No. 3 that the Tri-District Committee does not constitute a legal entity and, therefore, has no power to contract, to sue, or to be sued. The water right being utilized to take water from Clinton Lake, the plant site, and plant facilities are all presently in the name of RWD No. 3. Similarly, all obligations for indebtedness are on RWD No. 3. However, RD No. 3 would have a right of indemnification against the other two districts pursuant to the Tri-District Committee Agreements.

The following types of funds comprise the financial activities of the District for the year of 2015:

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3
Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Regulatory Basis Fund Types

Business Funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. water fund, etc.)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

Use of Estimates

The preparation of the Balance Sheets requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3
Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Deferred Income

On May 7, 1991, the District entered into a contract with Osage County Rural Water District No. 5 (RWD No. 5) for the sale of water rights. Costs for the construction of connecting lines, meters, pressure vales, etc. necessary for RWD No. 5 to receive water from the District are the responsibility of RWD No. 5. For the sum of \$ 155,000 the District agrees to sell water to RWD No. 5, the contract to expire in December, 2019, that being the date that the District's contract for the purchase of water from Clinton Lake expires. Provided that the District extends its contract for the purchase of water, then the terms of this agreement shall correspondingly extend to not more than 40 years from the first day of the month that payment is due to the District.

The total price of \$ 155,000 is payable at the time of execution of the contract, \$ 15,000 payable upon beginning delivery of water to RWD No. 5, and the balance of \$ 140,000, plus interest at the rate of 7% annually, shall be paid in 240 consecutive monthly installments of \$ 983 each, beginning with the month following the month of delivery of water begins to RWD No. 5.

The water rights revenue of \$ 155,000 has been set up as deferred revenue, to be recognized over a 343 month period (the date of the contract through December, 2019).

Income Taxes

In prior years, it has been held that the District is exempt from income taxes under Section 115 of the Internal Revenue Code both because it is a public utility under Section 247 and because it is a political subdivision of the State of Kansas (K.S.A. 82a-601,et.seq.).

In a 1992 published Internal Revenue Service opinion, it was determined that Kansa rural water districts do not qualify as political subdivisions for the purposes of the exemption from payment of FUTA. No claim has been asserted against the District for this tax, nor is the amount of any such claim determinable at this time. Kansas law has been changed, effective March 20, 1992, the result of which causes rural water districts to again qualify as a political subdivision for the purpose of the exemption for payment of FUTA. We are unable to determine at this time whether or not a claim will ultimately be asserted against the District, the likelihood that it would ultimately be held liable for that claim, or the ultimate amount of that claim, if assessed.

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3
Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Income Taxes

Consequently, no additional liabilities relating to a possible claim have been recognized.

The Organization's tax returns for the years ending 2015, 2014, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Cash and Cash Equivalents

For the purposes of the summary of cash balances, cash and cash equivalent are defined as demand deposits and certificates of deposit at banks with maturities of three months or less.

Property and Equipment

Property and equipment are recorded at cost. Improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repair which do not extend the life of the applicable assets are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Depreciation and amortization for the District and Tri-District totaled \$ 951,325 and \$ 938,897, respectively for the years ended December 31, 2015 and 2014.

NOTE 2 – Deposits and Investments

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The district has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the district's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (Continued)

agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2015.

At December 31, 2015 and 2014, the District's carrying amount of deposits, including certificates of deposit, was \$ 1,388,014 and \$ 1,378,432 respectively and the bank balance was \$ 1,388,014 and \$ 1,379,096, respectively, of which \$ 614,809 and \$ 614,123, respectively was covered by FDIC insurance. All other balances were collateralized with securities held by the pledging financial institutions' agents in the District's name.

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 3 – Pension Plan

The District maintains a defined contribution plan covering all eligible employees. The District contributes seven percent of the employees' gross wages to the plan on a monthly basis. Employees are eligible for plan participation if they are at least 21 years of age and have been employed for more than one year. Pension expense for 2015 and 2014 was \$ 12,611 and \$11,328 respectively.

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

NOTE 5 – Stewardship, Compliance, and Accountability

We noted no instances of noncompliance with Kansas Statutes for the period under examination.

NOTE 6 – Kansas Water Resources Board Contract

On December 13, 1979, the District entered into a water purchase contract with the Kansas Water Resource Board to withdraw water from Clinton Lake. The contract is for 40 years and allows the District to withdraw a maximum of 720.0 million gallons of raw water each year. The price of water was set at \$0.07402 per each one thousand gallons withdrawn through December 13, 1989, with a minimum annual payment of \$26,647.

Effective December 13, 1989, the price of water rose to \$ 0.1753 per each one thousand gallons withdrawn. However, the District's contract was negotiated under statutes that limited the rate charge to no less than \$ 0.05 and no more than \$ 0.10 per one thousand gallons. Therefore, the adjusted rate for water under the contract will be \$ 0.10 per one thousand gallons for the period December 13, 1989, through December 13, 2019.

NOTE 7 – Bond Resolution Requirements

Pursuant to the Series 2013 Bond Resolution, \$ 573,316 was deposited into the Series 2013 Bond Reserve Account restricting these funds for the term of the bonds. The bond resolution calls for no additional deposits to this account.

Pursuant to the bond resolution, on the first day of each month an amount not less than one-sixth (1/6) of the interest that will become due on the bonds on the next succeeding interest date shall be deposited into the corresponding Principal and Interest Account. Similarly, on the first day of each month an amount not less than one-twelfth (1/12) of the principal amount of the bonds

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Bond Resolution Requirements (Continued)

that will become due on the next succeeding bond maturity date shall be deposited. The next succeeding interest date is June 1 and the next succeeding bond maturity date is December 1. Thus, at December 31, one-sixth of the next interest payment and one-twelfth of the next principle payment have been deposited. The remaining five-sixths of interest due June 1, and all of the interest due December 1, and the remaining eleven-twelfths of principal due December 1 are deposited throughout the year as required.

The deposits included within special reserve accounts consist of the following at December 31, 2015 and 2014:

	Series 2013 <u>P & I</u>
Beginning Balance, 12-31-14	\$ 250,437
Additions	536,408
Bond payments	<u>(560,963)</u>
Ending Balance, 12-31-15	<u>\$ 225,882</u>

As part of the loan, the District is required to maintain a debt service coverage ratio of 1.10 and establish a loan reserve account in the amount of 10% of the unpaid principal. The District's debt service coverage ratio for 2015 as calculated by the financial worksheet is 1.68 and is shown as follows:

Income from operations	\$ (6,588)
Depreciation	<u>951,325</u>
Net Revenue available for Debt Service	944,737
Debt service	<u>560,771</u>
Debt service coverage ratio	<u>1.68</u>

NOTE 8 – Concentration of Suppliers

The District acquires 100% of its water supply from the City of Topeka and the Tri-District facility. There are no other suppliers of water available for the District.

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

NOTE 10 – Compensated Absences

The District pays for vacation and sick time. These amounts are expensed in the period when incurred. No accrued vacation is included in these financial statements due to the immateriality of the amount.

NOTE 11 – Subsequent Events

Subsequent events for management's review have been evaluated through February 20, 2016. The date the financial statements were available to be issued.

NOTE 12 – Long Term Debt

The following page lists the schedule of long term debt and current maturities of debt of the District.

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Changes in Long-Term Debt

For the year ended December 31, 2015

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Revenue Bonds Series 2013	2.7%	5/16/13	\$ 7,525,000	8/1/29	\$ 6,980,000	\$ -	\$ 375,000	\$ (375,000)	\$ 6,605,000	\$ 185,963
Total Long Term Debt		2016	2017	2018	2019	2020	2021-2025	2026-2029	Total	
Principal		\$ 385,000	\$ 400,000	\$ 410,000	\$ 420,000	\$ 430,000	\$ 2,340,000	\$ 2,220,000	\$ 6,605,000	
General Obligation Bonds										
Special Assessment Bonds										
Certificates of Participation										
Capital Leases										
Revenue Bonds										
KDHE Loan										
Temporary Notes										
Total Principal		385,000	400,000	410,000	420,000	430,000	2,340,000	2,220,000	6,605,000	
Interest		\$ 175,770	\$ 165,240	\$ 154,373	\$ 143,235	\$ 131,827	\$ 476,888	\$ 141,413	\$ 1,388,745	
General Obligation Bonds										
Special Assessment Bonds										
Certificates of Participation										
Capital Leases										
Revenue Bonds										
KDHE Loan										
Temporary Notes										
Total Interest		175,770	165,240	154,373	143,235	131,827	476,888	141,413	1,388,745	
Total Principal and Interest		\$ 560,770	\$ 565,240	\$ 564,373	\$ 563,235	\$ 561,827	\$ 2,816,888	\$ 2,361,413	\$ 7,993,745	

Rural Water District No. 3, Douglas County

Regulatory-Required

Supplementary Information

For the year ended December 31, 2015

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Summary of Expenditures - Actual and Budget

Regulatory Basis

For the year ended December 31, 2015

Funds	Certified Budget	Adjustments for		Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
		Qualifying Budget Credits				
Proprietary	\$ 2,518,094	\$	-	\$ 2,518,094	\$ 2,162,495	\$ (355,599)
Water Utility						

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3
WATER UTILITY FUND

Statement of Receipts and Expenditures - Actual and Budget
 Regulatory Basis

For the year ended December 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
CASH RECEIPTS			
Charges for services	\$ 2,165,652	\$ 2,041,203	\$ 124,449
Interest income	6,425	5,000	1,425
Proceeds from borrowings	<u>-</u>	<u>-</u>	<u>0</u>
Total Cash Receipts	<u>2,172,077</u>	<u>2,046,203</u>	<u>125,874</u>
EXPENDITURES			
Production	1,173,421	1,529,020	(355,599)
Capital outlay	428,111	428,111	0
Debt service	560,963	560,963	0
Adjustment for qualifying budget credits	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,162,495</u>	<u>\$ 2,518,094</u>	<u>\$ (355,599)</u>
Receipts Over (Under) Expenditures	9,582		
Unencumbered Cash, Beginning	1,378,432		
Prior Year Cancelled Encumbrances	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 1,388,014</u>		

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3**BALANCE SHEETS**

As of December 31, 2015 and 2014

	ASSETS	
	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 354,675	\$ 326,214
Certificates of deposit	234,141	233,106
Material inventory	59,927	30,000
Total current assets	<u>648,743</u>	<u>589,320</u>
Long Term Assets		
Bond issue fees, net	130,180	143,744
Property, plant, and equipment, net	11,712,091	12,214,585
Total long term assets	<u>11,842,271</u>	<u>12,358,329</u>
Restricted Assets		
Principal and interest accoount	225,882	250,437
Bond reserve account	573,316	568,675
Total restricted assets	<u>799,198</u>	<u>819,112</u>
Total Assets	\$ <u>13,290,212</u>	\$ <u>13,766,761</u>

LIABILITIES AND DISTRICT EQUITY

Current Liabilities		
Current portion of deferred revenue	\$ 5,423	\$ 5,423
Current maturity of long term debt	385,000	375,000
Accrued Interest	74,306	78,525
Total current liabilities	<u>464,729</u>	<u>458,948</u>
Long Term Debt, less current maturities	6,220,000	6,605,000
Deferred revenue	16,262	21,685
Total liabilities	<u>6,700,991</u>	<u>7,085,633</u>
District Equity	<u>6,589,221</u>	<u>6,681,128</u>
Total liabilities and district equity	\$ <u>13,290,212</u>	\$ <u>13,766,761</u>

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3

STATEMENTS OF OPERATIONS

For the years ended December 31, 2015 and 2014

	2015	2014
Revenues		
Water sales	\$ 1,947,662	\$ 1,844,584
Water rights	5,423	5,423
Fixed cost recovery	60,000	60,000
Other income	8,875	7,575
	<u>2,021,960</u>	<u>1,917,582</u>
Expenses		
Water purchased	125,989	294,631
Salaries, wages and payroll taxes	275,030	211,466
Chemicals and supplies	116,997	127,977
Meter reading	18,684	22,843
Repairs and maintenance	55,906	458,484
Professional and other services	176,513	143,832
Utilities	177,257	187,895
Insurance	33,464	33,849
Truck and mileage	27,906	25,148
Office supplies and rent	28,522	27,877
Water and county taxes	6,268	7,042
Director's fees	9,827	8,398
Dues and fees	9,383	5,793
Employee benefits	12,611	11,328
Miscellaneous	2,866	5,372
Depreciation and amortization	951,325	938,987
	<u>2,028,548</u>	<u>2,510,922</u>
Net income from operations	<u>(6,588)</u>	<u>(593,340)</u>
Other Income (Expense)		
Interest income	6,425	4,811
New meters	90,000	52,500
Interest expense and service fee	<u>(181,744)</u>	<u>(195,885)</u>
Other Expense, Net	<u>(85,319)</u>	<u>(138,574)</u>
Net Income	<u>\$ (91,907)</u>	<u>\$ (731,914)</u>

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3**SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES****Rural Water District No. 3**

For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Balance, January 1	\$ 1,198,376	\$ 1,801,285
Cash Receipts		
Water receipts	1,301,828	1,235,234
New meters	90,000	52,500
Refund on services	59,465	30,268
Bookkeeping	4,800	4,800
Interest income	6,425	4,811
Land and tower rental	4,075	2,775
Proceeds from borrowings	-	-
Rental deposits	(350)	(1,075)
Total cash receipts	<u>1,466,243</u>	<u>1,329,313</u>
Expenses		
Water purchased	86,750	228,759
Water taxes	6,268	7,042
Salaries, wages and payroll taxes	275,030	211,466
Meter rearing	18,684	22,843
Truck expense and mileage	25,554	21,237
Office expense	28,522	27,877
Insurance	24,505	21,161
Utilities	65,650	54,099
Repairs and maintenance	49,907	188,087
Dues and fees	7,112	3,848
Tri - District expense	21,000	21,000
Employee benefits	12,611	11,328
Professional and other services	13,414	22,680
Real estate taxes	668	566
Chemicals and supplies	59,152	26,182
Director's expenses	6,227	8,398
Additions to fixed assets	171,488	494,709
Returned checks	(20)	55
Payment to Tri District	-	-
Payments on long term debt	560,963	560,885
Total cash disbursements	<u>1,433,485</u>	<u>1,932,222</u>
Increase (Decrease) in Cash	<u>32,758</u>	<u>(602,909)</u>
Cash Balance, December 31	\$ <u><u>1,231,134</u></u>	\$ <u><u>1,198,376</u></u>

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3

SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES

Tri-District

For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Balance, January 1	\$ <u>180,056</u>	\$ <u>169,508</u>
Cash Receipts		
Water receipts	645,834	669,285
Fixed cost recovery	60,000	60,000
Interest income	-	-
Contributions from member districts	<u>-</u>	<u>-</u>
Total cash receipts	<u>705,834</u>	<u>729,285</u>
Expenses		
Water purchased	39,239	44,872
Other services	138,763	109,893
Chemicals and supplies	57,844	101,795
Repairs and maintenance	68,785	270,397
Mileage	2,352	2,114
Insurance	8,959	12,688
Utilities	111,607	133,796
Fuel	1,183	1,797
Bookkeeping	4,800	4,800
Professional and other services	24,336	11,259
Director fees	3,600	-
Dues and fees	2,271	1,945
Additions to fixed assets	263,039	18,630
Miscellaneous	2,232	4,751
Payments on long term debt	<u>-</u>	<u>-</u>
Total cash disbursements	<u>729,010</u>	<u>718,737</u>
Increase (Decrease) in Cash	<u>(23,176)</u>	<u>10,548</u>
Cash Balance, December 31	\$ <u><u>156,880</u></u>	\$ <u><u>180,056</u></u>

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3

SUMMARY OF INSURANCE COVERAGE AND FIDELITY BONDS

As of December 31, 2015

Property Covered	Premium	Coverage	Expires
RURAL WATER DISTRICT NO.3			
Commercial property: (9A5-76-22-16)	\$ 13,581	90% Coinsurance	6/2/2016
All locations		5,643,100	
General Liability: (9D5-76-22-16)	\$ 1,229		6/2/2016
Aggregate Limit -			
products/completed operations		1,000,000	
other than products/completed ops		1,000,000	
Personal and advertising injury		500,000	
Medical expense (per person)		5,000	
Commercial Auto: (9E5-76-22-16)	\$ 1,694		6/2/2016
Liability insurance (per loss)		500,000	
Workmen's compensation: (9H5-76-22-16)	\$ 4,473		6/2/2016
Bodily injury by accident		500,000	
Bodily injury by disease (per employee)		500,000	
Bodily injury by disease (policy limit)		500,000	
Public Employee Dishonesty: (9F5-76-22-16)	\$ 562		6/2/2016
Per loss		450,000	
Directors' and Officers' Liability: (9K5-76-22-16)	\$ 1,775	1,000,000	6/2/2016
Commercial Inland Marine: (9M5-76-22-16)	\$ 200		6/2/2016
Contractor Equipment		108,000	

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3

SUMMARY OF INSURANCE COVERAGE AND FIDELITY BONDS

As of December 31, 2015

Property Covered	Premium	Coverage	Expires
TRI-DISTRICT			
Commercial property: (9A5-39-69-15)	\$ 10,896	90% Coinsurance	4/10/2016
Buildings and personal property		6,701,118	
Loss of income		50% Coinsurance 100,000	
General Liability: (9D5-39-69-15)	\$ 2,793		4/10/2016
Aggregate Limit -			
products/completed operations		1,000,000	
other than products/completed ops		1,000,000	
Personal and advertising injury		500,000	
Medical expense (per person)		5,000	
Inland Marine: (9C5-39-69-15)	\$ 324		4/10/2016
Data processing equipment		10,000	
John Deere tractor		7,300	
Commercial Auto: (9E5-39-69-15)	\$ 310		4/10/2016
Liability insurance (per loss)		500,000	

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3

SCHEDULE OF FIXED ASSETS ADDITIONS AND RETIREMENTS

As of December 31, 2015

	<u>Additions</u>	<u>Deletions</u>
Rural Water District No. 3		
Water system	<u>\$ 165,073</u>	<u>\$ -</u>
Tri - District		
Water System	<u>\$ 263,038</u>	<u>\$ -</u>

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3

BOARD MEMBERS

As of December 31, 2015

Chairman	Robin Edmonds
Vice-Chair	Keith Noe
Secretary	Jim Shultz
Treasurer	Dan Hanney
Director	Rod Spencer
Director	Jason Dexter
Director	Ron Wolf